



PROPERTY AND CASUALTY INSURANCE

House Bill 1495 by Representative Nelson

- **This bill provides rate certainty and will prevent drastic rate increases for Citizens' customers. This bill lowers rate increases for Citizens' policyholders in anticipation of the mandated expiration of the rate freeze.**
- **Without this bill, on January 1, 2010, Citizens' customers will likely face *dramatic* overall average statewide rate increases - in excess of *40 percent* for personal residential multi-peril policies, *55 percent* for personal residential wind-only policies, *60 percent* for commercial residential wind-only policies, and *140 percent* for commercial nonresidential properties.**
- **Gradually bringing rates to actuarially sound levels will prevent Citizens from going bankrupt and may protect all Florida taxpayers from potentially devastating policy assessments or tax increases in the future.**

Changes Between the House Bill Passed and the Pending Nelson Amendment (#257873)

Florida Hurricane Catastrophe Fund (FHCF)

- Removes the SBA authority to purchase Florida Hurricane Catastrophe Fund (FHCF) bonds as current law contains this authority already.
- Maintains the changes to the \$10 million limited apportionment company coverage option that allows certain insurers to purchase this coverage until December 31, 2011.
- Maintains the Temporary Increase In Coverage Limit (TICL) reduction of \$2 billion a year for 6 years to decrease the FHCF exposure.
- Removes the yearly increase in the TICL copayment amount assumed by insurance companies.
- Maintains the TICL price increase.
- Maintains the cash build-up factor for the mandatory FHCF layer.

- Adds a requirement that the FHCF must reduce its reimbursement amounts to insurers uniformly if the FHCF does not have sufficient funds to pay all its claims.
- Removes the prohibition of Citizens to participate in TICL.
- Maintains the repeal of the \$4 billion State Board of Administration (SBA) approved FHCF coverage option that has never been offered and if offered would be above the TICL coverage layer.

Citizens Property Insurance Corporation (Citizens)

- Citizens' rate increases are capped at 10% per policyholder per year (rather than the 20% per policyholder in the original House bill). There is no statewide average rate increase in the amendment.
- Maintains the allowance for Citizens to include the cost of the FHCF cash build up factor in their rates.
- Removes the Citizens' policyholder assessment increase to 25% per account so the assessment remains at 15% per account per current law.
- Extends the required reduction of Citizens' high risk boundaries to 12/1/2010 rather than repeal the required reduction.
- Adds a streamlined filing and reporting process to the Office of Insurance Regulation (OIR) for insurers to more efficiently recoup and account for Citizens' assessments recouped from policyholders.
- Maintains other changes relating to Citizens: staggered term of Citizens' Board of Governors, elimination of required disclosure of a home's windstorm mitigation rating upon sale, and allowance for admitted insurers to offer ex-wind policies to non-eligible Citizens' properties located in the high risk account (these policyholders are not eligible for Citizens because their insured value is \$2 million or more or is \$750,000 or more but the home does not have opening protections).

Rating Law

- Maintains the one year extension of the prohibition on "use and file" rate filings. Use and file cannot be used as a method for property insurance rate filings until January 1, 2011.
- Removes flex rating as a method for rate filings by insurers but a provision is added that allows insurers to make an expedited rate filing to recoup the costs for reinsurance to replace or finance TICL coverage, for the TICL price increase, and for the FHCF cash build up factor as long as the rate increase is not more than 10% per policyholder for reinsurance or 3% per policyholder if another type of financing instrument is purchased. Expedited rate filings can be made every six months.
- Maintains the allowance for insurers to recoup reinsurance costs up to 10% for costs that correspond to TICL coverage in a regular rate filing.
- Maintains the provisions relating to the OIR's assertion of attorney-client privilege relating to rate filings and adds a provision that requires the OIR to publish various information about rate filings on its website.

My Safe Florida Home Program

- Removes the condominium weatherization and mitigation program.
- Removes the transfer of funds from the Citizens' rate increase to the My Safe Florida Home Program for mitigation grants.
- Maintains other changes to the My Safe Florida Home Program: increase in the types of mitigation improvements a homeowner can install using Program funds, increase in contract limit for the Program without Legislative Budget Commission approval from \$500,000 to \$1 million, repeal of no interest loan program.

Mitigation

- Maintains that mitigation discounts given in accordance with the uniform home grading schedule supersede current mitigation discounts.
- Maintains the study on mitigation discounts to be completed by the Commission on Hurricane Loss Projection Methodology (report is due February 1, 2010).
- Maintains that falsification of a mitigation form is a misdemeanor.

Rating Agencies

- Removes the bill's provisions requiring all rating agencies to disclose on their public reports or rating whether they allowed FHCF reinsurance to be counted as an asset in their financial rating of the insurer.

Local Government Self-Insurance Funds

- Removes the bill's provisions relating to local government self-insurance funds. These provisions prohibited these funds from requiring over 30 days' notice for members to notify the fund of the member's desire to withdraw. It also required fund officers and managers to disclose to fund members their involvement in certain criminal and civil actions (other than motor vehicle actions).

Debt Cancellation Products

- Removes the provisions allowing sellers or lessors of goods, services or real property to sell debt cancellation products. A similar provision passed in a different bill.

Crop Insurance Commissions

- Removes the prohibition on insurance agents employed by federal lending institutions from rebating agent commissions for crop insurance as a patronage dividend to policyholders.

Public Adjusters

- Maintains the provisions relating to public adjusters.
 - Public adjusters are prohibited from paying fees to runners.
 - Public adjuster apprentices must have the designation of Accredited Claims Adjuster before being licensed.
 - Public adjusters may not employ over 12 public adjuster apprentices and cannot supervise over 3 apprentices at a time.
- Maintains the OPPAGA study on public adjuster activity and involvement in claims (report to the Legislature, the Governor, the CFO, and the Insurance Commissioner by February 1, 2010).

Policy Disclosure

- Removes the bill's provisions requiring property insurance policies subject to Citizens' or FHCF assessments to contain a disclosure about the assessability of the policy on the declarations page or renewal notice.

Public Housing Authority Self-Insurance Fund

- Maintains authorization for reinsurance companies to issue coverage directly to a public housing self-insurance fund.

FIGA

- Maintains allowance for insurance agents to discuss the function or the existence of Florida Insurance Guaranty Association (FIGA) with policyholders or insurance applicants.

OIR Interference with Agent Relationships

- Removes the prohibition on the OIR from interfering with agent-insurer relationships in rate filings.

Agent Service Charge for Premium Processing

- Removes the allowance for insurance agents to charge policyholders a \$5 service charge for processing insurance premium payments when the policyholder could send the payment directly to the insurer or to the premium finance company.